

by discounting bills of exchange and making advances on public securities without any other limitation than its own good judgment. Under this authority the bank granted extraordinary credits to the amount of 64,451,000 florins in Austria, and 30,119,000 florins in Hungary. The circulation exceeded the legal limit several times in May and July and was almost continuously above the limit during October, November, and December, 1873. The effect of the action of the bank was almost instantaneous in restoring credit. ** The first moment of panic passed," says M. Clement Juglar, ** it was seen that commerce and industry continued to make good head and that the vital forces of the country were not exhausted, the crisis having been specially severe in everything affecting the bank/*¹

Payment in coin on demand was nominally the condition upon which the bank held its privileges, but the situation of the government and its relations with the bank were such that it was thought necessary to maintain forced legal tender for an indefinite period. A convention was signed between the bank and the government on January 3, 1863, providing for the resumption of specie payments by the bank during 1867, but the war with Prussia postponed the event and the country continued to stagger through the mire of irredeemable paper. An act of May 5, 1866, authorized the government to issue 150,000,000 florins in government bills, including notes of one and five florins which had already been issued by the bank and which were now declared to be bills of state. The disasters of Saclowa and the other events of the war drove the government to the old device of John Law and the French revolutionists, to guarantee a part of its paper issues by the salt mines of Gmund, Hallein, and Aussee, at the same time that the pledge was given that the maximum of the two forms of the floating debt—the paper money and the salt notes (Salinenscheine)—should not exceed 400,030,000 florins. This pledge was not kept to the letter, but the actual circulation was never greatly above the

¹ DCS Crises Commerciales, 496.